

Message Text

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ORIGIN NEA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 INR-07 NSAE-00 EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO IMMEDIATE

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E.O. 11652:DECONTROL APRIL 1, 1978

TAGS: EAID, CE

SUBJECT: SRI LANKA GROUP MEETING; MEETING WITH PRIME
MINISTER

REF: COLOMBO 896

1. INTER-AGENCY GROUP MET UNDER AID CHAIRMANSHIP MARCH
24 TO DEVELOP POSITION WHICH US DELEGATION WILL TAKE
AT PARIS AID GROUP MEETING. GENERAL VIEW OF ATTENDEES WAS
THAT WHILE SRI LANKA HAD TAKEN SOME USEFUL STEPS TOWARD
RATIONALIZING ITS ECONOMY THROUGH QUANTITATIVE REDUCTION
OF SUBSIDIES FURTHER SIGNIFICANT MEASURES ARE REQUIRED IF
SAVINGS FOR INVESTMENT ARE TO BE REALIZED, PARTICULARLY
IN VIEW OF INCREASED OVERALL COST OF SUBSIDY PROGRAMS.
CONSENSUS WAS THAT WE DO NOT WISH TO BEAT CEYLONese OVER
HEAD ON THEIR ECONOMIC POLICY BUT THAT IN CONCERT WITH
WORLD BANK WE SHOULD FIRMLY ENCOURAGE THEM TO IMPROVE
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PERFORMANCE. THIS ENCOURAGEMENT SHOULD TAKE PLACE THROUGH

CONTINUING DIALOGUE WITH CEYLONENE WHICH MAKES CLEAR THAT US AID IN FINAL ANALYSIS MUST BE JUSTIFIED BY IMPROVED GSL PERFORMANCE.

2. SUMMARY OF POSITION US DELEGATION PLANS TAKE AT PARIS IS AS FOLLOWS: -

- A. SRI LANKA'S GENERAL ECONOMIC POLICIES NEED IMPROVEMENT IN MANY ASPECTS WELL SPELLED OUT IN THE IBRD REPORTS. WE SHOULD CONVEY THIS POINT IN (EXPECTED) CONCERT WITH OTHERS AND, PRIMARILY, BY ENDORSING IBRD RECOMMENDATIONS.
- B. US IS PREPARED TO CONSIDER DEVELOPMENT LENDING IN THE RANGE OF CURRENT YEAR PROGRAM, SUBJECT TO APPROPRIATION AND BUDGET PRIORITIES, AND DEPENDING ON MUTUAL AGREEMENT ON PROJECTS WHICH WILL BE IN A POLICY CONTEXT WHICH PROMISES EFFECTIVE RESULTS FROM THE ASSISTANCE.
- C. US IS PREPARED TO CONSIDER ADDITIONAL FOOD AID, SUBJECT TO AVAILABILITY AND BUDGET PRIORITIES, IN AN APPROPRIATE MAGNITUDE, TAKING INTO ACCOUNT SRI LANKA'S NEEDS AND THE EFFORTS IT IS PREPARED TO MAKE TO INCREASE AGRICULTURAL PRODUCTION. IT IS TOO EARLY, HOWEVER, TO ESTIMATE POSSIBLE FOOD AID LEVELS AT THIS TIME.

3. PROPOSED STATEMENT AT PARIS IS NOT SO SPECIFIC AS THAT SUGGESTED REFTEL BUT IS MOST FORTHCOMING POSITION WE CAN ADVANCE AT THIS STAGE IN LIGHT OF UNCERTAINTY ON OVERALL PL 480 AVAILABILITIES AND RESERVATIONS IN WASHINGTON REGARDING GSL ECONOMIC PERFORMANCE. FYI IT IS PROBABLE THERE EVENTUALLY WILL BE SUBSTANTIAL PL 480 PROGRAM. NEVERTHELESS WE DO NOT MIND IF CEYLONENE INTERPRET OUR LACK OF SPECIFIC PL 480 PLEDGE AS EVIDENCE WE ARE INDICATING SOME RELATIONSHIP BETWEEN AID LEVELS AND ECONOMIC PERFORMANCE. END FYI

4. IN CONVERSATION WITH PRIME MINISTER MARCH 28 (COLOMBO 934) AMBASSADOR MAY WISH TO EXPRESS US INTEREST IN CONTINUING CONSTRUCTIVE AID RELATIONSHIP WITH SRI LANKA BUT MIGHT ALSO NOTE OUR INTEREST IN SUSTAINED TREND TOWARD ECONOMIC RATIONALIZATION. YOU MAY SUGGEST, IF YOU THINK IT USEFUL THAT SITUATION ON PL 480 FOR NEXT LIMITED OFFICIAL USE

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YEAR IS NOT YET CLEAR AND THAT IT MAY NOT BE POSSIBLE AT TIME OF AID GROUP MEETING FOR US TO MAKE SPECIFIC INDICATION OF INTENT REGARDING A PL 480 PROGRAM FOR SRI LANKA IN FY 76. INGERSOLL

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